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8 Postlude

This book has presented new estimates of annual time series of nominal and real wages in the United States from the 1820s to the eve of the Civil War. These series, along with related cross-sectional data, have been used to examine aspects of the economic history of free labor that have long been regarded as central to the economic, social, and political development of the United States during the first half of the nineteenth century—the standard of living and its relation to long-run growth, and short-run fluctuations, in real wages; the effect of early industrialization on the distribution of income; and the role of well-functioning factor markets (in this case, the market for free labor) in promoting economic development.

Although the primary purpose of this book has been to illuminate the economic history of the antebellum period, it is useful to recognize that many of the historical issues have important parallels with current concerns. For example, the American wage structure has widened considerably since 1970, as the demand for better-educated workers has grown vastly relative to the demand for less-educated workers (Katz and Murphy 1992). This widening of the wage structure has occurred against a backdrop of relatively slow growth in average real wages, high rates of immigration, and (until recently) explosive growth in the welfare system that scholars have linked to adverse movements in the real wages of less-educated workers (Blank 1997).

The results of this book demonstrate that such changes are not unique in American history. The antebellum period witnessed a widening of the wage structure in favor of white-collar labor and periods of stagnation in real wages, one of which (the 1850s) was associated with a wave of immigration and a rapid increase in reliance on poor relief, prompted, in part, by adverse movements in the real wages of unskilled labor. Yet, in the long run, the benefits of antebellum economic development were manifested in higher real wages on average, as has been true of economic development in the twentieth century. History also teaches that most change in the American income distribution generally has been episodic rather than permanent. While the antebellum rise in the relative wages of white-collar labor evidently continued after the Civil War, eventually the supply of educated labor expanded in the early twentieth century, leading to a fall in the returns to white-collar skills.

Economic analyses of less-developed and transition economies today increasingly emphasize the allocative effectiveness of factor markets, such as the market for labor, as an important institutional engine of economic growth. The evidence presented in this book clearly suggests that, in certain key respects, the economic growth of the United States was enhanced by well-functioning labor markets relatively early in its history. Perhaps the most fundamental structural change of modern economic growth—the shift of labor out of agriculture—appears to have gone smoothly before the Civil War, in the sense that wage gaps between the farm and the nonfarm sector were unimportant. In a geographic sense, too, the integration of American labor markets was in progress before the Civil War, although there were important developments in the opposite direction—the emergence of the low-wage South—that would not be reversed until the twentieth century. In short, economists seeking good historical examples of the importance of labor markets in early development need look no further than the antebellum United States.

Modern economic development, it is said, has produced a variety of labor market institutions that make nominal wages less flexible over the business cycle, thereby prolonging the consequences of adverse economic shocks. The results of this book suggest that, if a golden age of totally flexible wages ever existed in American history, it was not during the antebellum period, when labor markets appear to have been far closer to the textbook norm of competition than they are today. Nominal wages before the Civil War *were* flexible in response to sustained nominal or real shocks, but not immediately so.

Documenting and explaining change in historical economies is the primary task of economic history. But economic history can also serve a useful function for a current audience because events in the past—even the distant past—may share commonalities with events in the present as well as shaping the fundamental constraints on economic decisions in the present. Careful scrutiny of past economic change, such as during the antebellum period, provides a context for interpreting economic change in later periods of American history and, in doing so, renders such change less mysterious.